

Reams, Susan A

From: K. Berto [soundview@wavecable.com]
Sent: Monday, July 31, 2006 8:51 AM
To: Reams, Susan A
Cc: jangee@wa-food-ind.org
Subject: Comment for Three-Tier Task Force

TO: Members of the Washington State Three-Tier Review Task Force

My name is Dave Berto. I am the Senior Vice President for Metropolitan Market with offices at 4025 Delridge Way SW, Suite 210, Seattle, WA 98106. I can be reached at 206-923-3701 or via email at dberto@metropolitan-market.com. Next month, I will be celebrating 46 years in the retail food industry, having served in Washington, Oregon, and California as well as throughout many of southeastern states.

The purpose of this message is to provide you with my thoughts and concerns as your Task Force moves forward in consideration of the meaning and impact for all participants in the alcoholic beverage industry in Washington State, including our ultimate consumers, following the recent court decision relative to the "Costco lawsuit." As an independent food retailer, my interests are primarily related to the distribution and sale of beer and wine in our state. Currently, we have a unique opportunity to work together to craft new regulations, policies, and procedures at all levels that will remove inefficiencies and inequities from our system.

The world has changed many times over since the Washington State Liquor Control Board was established with its mandates and priorities so long ago. Our customers now travel the world and have developed increasingly sophisticated palates, enjoying a broad variety of foods, wines, and beer from around the world. Through the wonders of technology, our ability to track the movement and sale of inventory has improved remarkably, allowing for improved accountability.

Today, we face two significant barriers to efficient business practices with respect to the distribution and sale of wine and beer in our stores. The first is our inability to provide responsible, controlled product samples to our customers, as is common practice in so many other states including those contiguous with ours. In a business where even an established well known label can vary with vintage, our customers are frequently forced to make uninformed decisions about the products they wish to purchase. We can do better than this, while still protecting the principles and values we all believe in. A second significant inefficiency is the "post off" pricing, minimum markup, and Cash on Delivery requirements. These practices create unnecessary administrative burdens on everyone, stifle competition, and result in higher retail prices. Requiring retailers no lower than delivered costs and allowing the free market to dictate payment terms seem to be realistic alternatives in today's world.

The most impactful inequity we experience in today's system here in Washington State is unfair competition from the Washington State Liquor Control Board's own retail outlets where it is not unusual to see items sold at price points lower than our distributor's purchase price, which is controlled by the very same WSLCB. This practice puts the WSLCB in the patently unfair position of being both regulator and competitor, a clear conflict of interest. If the state wants to remain in the retail business, as I think they should, they must limit themselves to the sale of distilled spirits not available through the thousands of private retail sector stores in the state.

A second potential inequity can be avoided if the Task Force considers the need for small independent retailers throughout the State of Washington to compete with the large retail chains on a level playing field. We need the opportunity to accept direct shipments into warehouses for subsequent distribution to our individual stores in this state and, hopefully, your Task Force will consider and recommend that option with a bias toward preventing the potential for predatory practices that could stifle competition by consolidating retail power in the hands of the few.

Thank you for considering my concerns. Please feel free to contact me as necessary.

Dave Berto

9/12/2006

